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THE *Demand and Price* SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

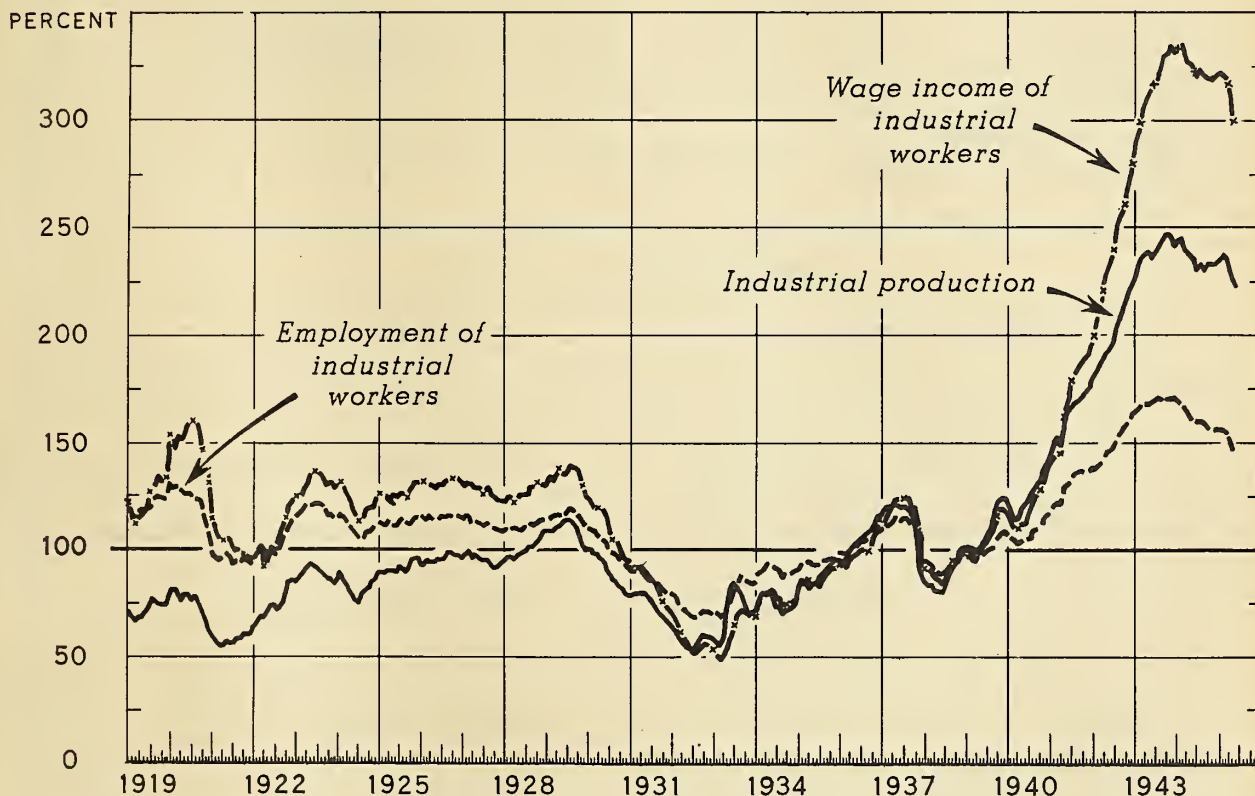
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AUGUST 1945

INDUSTRIAL PRODUCTION, EMPLOYMENT, AND WAGE INCOME, UNITED STATES, 1919-45

INDEX NUMBERS (1935-39=100) ADJUSTED FOR SEASONAL VARIATION



U. S. DEPARTMENT OF AGRICULTURE

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The civilian demand for farm products increased greatly between 1938 and 1943, as the wage income of industrial workers rose 235 percent, industrial production increased 164 percent and industrial employment increased 75 percent. The average wage income per worker increased about 90 percent during this period.

The wage income of industrial workers has declined about 10 percent since the latter part of 1943, indicating a slight downward trend in civilian demand which was more than offset by an increase in military and export demand.

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THE DEMAND AND PRICE SITUATION

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DEMAND FOR FARM PRODUCTS

The level of civilian demand for farm products probably will continue sufficiently high well into 1946 to maintain the prices of most farm products close to current levels. Shortages of food and clothing, especially in Europe, probably will be more serious during the coming winter than at any time since the start of the war. Purchases of farm products for relief will tend to increase as military takings decline. The decline in the wage income of industrial workers, which has been under way for several months, probably will be accelerated. However, total consumers' incomes are not likely to be reduced enough to close completely the existing gap between civilian demand and available supplies of many farm products at current prices.

The chief factors indicating a downward trend in consumers' incomes are the recent declines in industrial production, industrial employment, the total wage income of industrial workers, and wage income per employed worker. Most of the decline in industrial production has been in durable manufactured goods, particularly machinery and transportation equipment. Offsetting this to a minor degree are slight increases in private construction and in production of equipment in the first half of 1945.

As a result of these trends, nonagricultural income payments leveled off in the second quarter of 1945 and seem likely to decline at a more rapid rate during the second half of the year as the production of war goods declines. Nonagricultural labor income declined slightly in the second quarter of 1945 from the wartime peak reached in the first quarter of the year.

Industrial production has been decreasing since February. The seasonally adjusted index for June of 222^{1/} was 6 percent below February and the lowest since November 1942. More rapid declines are expected during the remainder of 1945, since reductions in the output of munitions will be much larger than any offsetting increases in the production of civilian goods. The output of durable manufactured goods was nearly 10 percent smaller in June than in February. The output of nondurable goods declined less than 2 percent, while that of minerals increased slightly during this period. In spite of the recent decline in the production of durable goods, inventories in the hands of manufacturers remained almost constant during the first 5 months of 1945. However, manufacturers' inventories of nondurable goods declined slightly, and in May were 4 percent under February.

Industrial employment has been declining in recent months at about the same rate as industrial production. The seasonally adjusted index for May of 147^{2/} was 5 percent under February, and the lowest since May 1942. The largest declines have occurred in factories manufacturing durable goods and in mining.

Wage income of industrial workers has been declining at a rate of about 3 percent per month since March, compared with an average of one-third of one percent during 1944. The decline in 1945 has all been in the earnings of factory workers, and within this group has been largely concentrated in

^{1/} Federal Reserve Board, 1935-39 = 100.

^{2/} 1935-39 = 100.

factories manufacturing durable goods. The decline in the wage income of industrial workers has been somewhat greater than the decline in the number of persons employed; consequently, there has been a slight decrease in wage income per employed worker from the wartime peak reached in January 1945.

The decline in wage income per employed worker is largely a result of (1) a slight shortening of the workweek, and consequent reduction of overtime pay, (2) a greater decline in employment in the higher paid industries than in other fields. The average number of hours worked per week in all manufacturing industries was nearly 3 percent fewer in May than in February 1945. Employment of production workers in factories making durable goods, where overtime was most important and wages highest, declined nearly 7 percent from February to May 1945, compared with 3.5 percent for other industrial workers.

-- August 18, 1945

TRENDS IN NONAGRICULTURAL INCOME

Nonagricultural income payments, after rising steadily since the outbreak of the war in Europe, reached a peak in the first quarter of 1945, when the monthly index averaged 274^{3/4} and leveled off in the second quarter. A significant decline seems probable in the second half of 1945, as the output of war goods drops.

Munitions production may largely cease by the end of the year. In the first quarter of 1945, munitions production was at an annual rate of about 48 billion dollars. There will also be a decline in the war expenditures of the Government for nonmunitions, as the size of the military forces is reduced. However, this decline is expected to be at a lower rate than the decline in expenditures for munitions. Nonwar expenditures of the Government are likely to increase. Interest payments on the public debt will rise in amount and expenditures for veterans and for relief purposes are likely to be larger.

Part of the effect of the decrease in Government expenditures on nonagricultural income payments will be offset by increased production of goods for civilian purposes. A slight increase in private construction and in production of durable equipment for industry occurred in the first half of 1945. However, such increases in the second half of this year are likely to be much smaller than the decreases in Government expenditures. The time required for reconversion, particularly in the metal working industries, will cause some lag in output, and overtime is likely to be greatly reduced as the production of war goods declines. The number of unemployed is increasing.

^{3/4} Department of Commerce, 1935-39 = 100.

Salaries and wages paid in commodity producing industries have been declining slowly since last October. Until April this year, this reduction was more than counterbalanced by increases in other industries and in Government. Further decreases in salaries and wages paid in commodity producing industries are expected in the second half of 1945, as the production of war goods declines. Salaries and wage payments by the Government may also decline during the remainder of this year, with the decline in the number of persons in the armed forces. However, part of the effect of reduced numbers in military service will be offset by the special payments made to individuals as they are discharged from the service.

Consumer expenditures are not likely to decline as much as income payments in the second half of 1945. Taxes will decline somewhat as a result of reduced income, so that the decline in disposable income will be less than that in income payments. Also savings have been unusually large during the war, and the rate of savings might easily be reduced in order to maintain consumer expenditures.

AGRICULTURAL PRICES

Changes in prices received by farmers for most farm products are likely to be relatively small during the next few months, and will be largely seasonal in nature. Cattle prices, especially for lower grades, are likely to decline more than seasonally this fall, reflecting larger marketings and reduced military procurement of canned meats. Prices of most truck crops for fresh market are likely to decline during the next 2 or 3 months, as supplies from areas close to large consuming centers increase. Tobacco prices are now slightly above a year ago following an adjustment in ceiling levels, and this situation is likely to continue. Milk prices are likely to rise in September and October but probably not as much as usual.

The index of prices received by farmers for July was 206, the same as in June but otherwise the highest since World War I. The principal changes in prices from June to July were in truck crops, which declined 9 percent, and poultry and eggs, which rose 4 percent. Prices of all major groups of commodities, except feed grains and dairy products, are now higher than they were a year ago.

The index of prices paid by farmers, including interest and taxes, remained at its peak of 173 for the fifth consecutive month. This is only 3 points above July 1944. During the past year the index of prices paid for commodities used for family maintenance has increased 6 points, while that of commodities used for production is only 1 point higher. The ratio of prices received to prices paid for July remained at 119, unchanged from the previous month. Since comparatively little change is expected in the index of either prices received or prices paid during the next few months, the ratio is not likely to change materially.

Wholesale prices of both farm products and foods have risen about 3 percent since January 1945, slightly more than the rise in prices received by farmers. Average wholesale prices of all commodities other than farm products and foods remained almost constant during the first half of the year.

FARM INCOME

Total cash receipts from farm marketings will continue to increase in August, September, and October, but the gains each month probably will be less than the usual seasonal increases.

During the first 7 months of 1945 cash receipts were about 10,600 million dollars compared with 10,272 million dollars last year. Income from crops this year was about 4,220 million dollars, 21 percent above the receipts of 3,500 million dollars in 1944. This gain was due mostly to the exceptionally large carryovers from the unusually large 1944 crops into 1945. Largely because of the sharp drop in hog marketings, cash receipts from livestock and livestock products for January-July were about 6,350 million dollars, 6 percent less than the income of 6,771 million dollars last year.

In August, total cash receipts may amount to 1,950 million dollars, 5 percent above July and 15 percent above August 1944. Income from livestock and livestock products is about the same as in July. The greater than usual increase in receipts from meat animals reflects the substantial gain in marketings of cattle and calves, and offsets the slight seasonal declines in income from dairy products and poultry and eggs. Lack of available refrigerator cars, slackening of demand for citrus fruits, and the small apple crop, are resulting in more than the usual drop in cash receipts from fruits. Because of the advanced truck crop season, more than the ordinary reduction in marketings of vegetables is taking place in August, and cash receipts are relatively low. Although income from food grains is being maintained at a high level as a result of the record wheat crop, cash receipts from all crops are making less than the usual gain.

Total cash receipts from farm marketings in September probably will be from 5 to 10 percent above August, which will be slightly less than the usual seasonal gain. While a substantial increase is expected in receipts from crops, the gain will be somewhat less than seasonal. Marketings of citrus fruits will continue relatively low, sales of apples from the small crop will be down, and the increase in cash receipts from fruit will not be as great as usual. Early movement of potatoes from a relatively large crop at higher prices than last year will hold income from vegetables close to August levels, rather than the customary decline. Income from cotton will not be as great as last year. Cash receipts from livestock and livestock products probably will decline in September instead of remaining close to the income in August as in most years. This will be a result of smaller marketings of meat animals at slightly reduced prices for cattle and lambs, and about the ordinary decline in cash receipts from dairy products.

Cash receipts in October may be about 10 percent greater than September but this gain will also be less than the regular seasonal increase. Income from crops will not rise as much as usual. Cash receipts from fruits will increase somewhat less than seasonally, owing to the poor apple crop and to curtailed shipments of citrus fruit because of refrigerator car shortages. Although the percentage increase in income from cotton will probably be the same as usual, the actual increase will be relatively small, because of smaller production in 1945. Cash receipts from livestock and livestock products will increase to about August levels, as marketings of all types of meat animals will rise and income from poultry will show a substantial gain because of unusually large sales of turkeys.

LIVESTOCK AND MEATS

Total production of meat during the fall and winter is likely to be nearly the same as in the corresponding period of 1944-45, but below the peak reached in the fall and winter of 1943-44. With an increase in the 1945 fall pig crop indicated by reports from farmers in early June, and with a continued large cattle slaughter in prospect, meat production in the late spring and summer of 1946 is likely to be slightly larger than output in the spring and summer this year. The number of hogs marketed next spring and summer may be considerably larger than in 1945, but market weights of hogs may be lower than the record weights of hogs now being marketed.

Civilian meat supplies during the latter part of 1945 and in 1946 will continue to show an improvement over the small supplies this summer. Meat supplies for civilians in the first half of 1946 will be materially greater than in the first half of 1945, but will be less than the large supply available to civilians in the first half of 1944. The improvement in civilian supplies in 1946 will result from a reduction in meat purchases by the armed forces and the Department of Agriculture. However, prospective production of meat through at least the first half of 1946 is not likely to equal the demand at present meat prices.

Prices of the meat animals, especially lambs, hogs, and well finished cattle, probably will be maintained near the present high levels through the remainder of 1945 and the first half of 1946. Prices of lower grade cattle in the last 4 months of 1945 probably will decline more than usual. Marketings of such cattle are expected to be large, and requirements for canned beef by the armed forces probably will be considerably smaller than during last fall and winter. Prices of slaughter lambs and ewes declined about \$1.00 per 100 pounds in early August as the Defense Supplies Corporation slaughter subsidy was withdrawn. However, these lower lamb prices have been more than offset by a producer subsidy of \$1.50 to \$3.15 on lambs sold for slaughter, and of \$1.00 per 100 pounds on ewes sold for slaughter.

The supply of fed cattle for market in the late summer and fall of this year will be larger than a year earlier. The estimated number of cattle on feed for market in the Corn Belt on August 1, 1945 was estimated to be 16 percent larger than on August 1, 1944, but was smaller than for that date in any other year since 1937. Marketings of grass fat cattle this year up to mid-August were seasonally small, primarily as a result of good to excellent pastures over the nation. The payment of the 50 cent per 100 pound subsidy on the best grades of cattle weighing 800 pounds or more may be partly responsible for the relatively small summer marketings. Prices of grass fat cattle declined little from the spring peak to mid-August. The near record number of cattle on farms and ranches and the relatively small movement of grass-fat cattle to market this summer points to a large slaughter of cattle during the fall and winter.

Hog slaughter through the early fall will continue under a year earlier as the late end of the 1944 fall pig crop is marketed. Slaughter during the late fall and winter will continue less than a year earlier, reflecting the 7-percent reduction from 1944 in this year's spring pig crop. Present indications point to later-than-usual marketings of spring pigs this year, with a larger proportion.

of the marketings in January-March than last season. A large proportion of the 1945 spring crop was in the Western Corn Belt, a late marketing section, and a large proportion of the crop this year was farrowed late. Peak marketings of 1944 spring pigs occurred in the first 2 weeks of December 1944.

The 1945 lamb crop, estimated at 28.3 million head, was about 1 million head or 3-1/2 percent smaller than the 1944 crop, and except for 1935--following the 1934 drought--was the smallest since 1929. a higher percentage of lambs saved this year partly offset a 6 percent decrease from a year ago in the number of ewes on farms and ranches. Although the 1945 lamb crop was smaller than a year earlier, slaughter of new crop lambs to August 1 this year was at least as large as a year ago. Consequently, fewer lambs will be available for slaughter or for feeding in the last 5 months of 1945 than last year.

DAIRY PRODUCTS

Demand for dairy products for the fall and winter months will continue strong, even if there is a decline in consumer purchasing power. For the past 2-1/2 years, demand has exceeded supply by a wide margin, and a narrowing of the gap would not affect prices of dairy products materially. Prices received by dairy farmers for the next few months will not be much different from the previous year.

Consumer income for the remainder of 1945 and the first part of 1946 may decline from present levels, but will be above the 1942 level. Retail prices of most dairy products are now about the same as in 1942. During 1942, civilians consumed the equivalent of about 110 billion pounds of milk in dairy products. For 1945, as a result of heavy noncivilian procurement, it appears that civilian takings will amount to only about 101 billion pounds. Any reduction in Army procurement would affect the 1946 civilian supply of dairy products, with some increases in butter, cheese, fluid cream, and ice cream consumption probably taking place.

Unit returns to dairy farmers will remain at record levels through the first quarter of 1946, partly because of higher production payments on sales of butterfat than a year earlier. Compared with feed prices and with returns from competing livestock enterprises returns to farmers will be favorable for dairying, and continuation of a high level of milk production per cow is expected.

Milk production for the first 7 months of 1945 was 76 billion pounds, at an annual rate of 123 billion pounds which is 3 billion pounds above last year. Favorable returns, ample feed supplies, and good pasture conditions were the main factors in bringing about this high level of production.

POULTRY AND EGGS

Prices received by farmers for eggs will increase seasonally through November, and probably will average about 5 cents above corresponding months of 1944. Supplies of eggs will be below last year, because of smaller production and the lowest commercial shell-egg storage stocks on record. Demand will continue strong, but the gap between demand and supply which has existed for the past few months probably will be narrowed, partly as a result of

increased supplies of red meat. With increasing production beginning in December, prices of eggs will decline. Prices received during the first quarter of 1946 may be below the first quarter of 1945, when demand was unusually strong.

Prices received by farmers for chickens during the next 6 months will decline seasonally from the 36-year peak of 28.5 cents per pound reached in mid-July. Increasing supplies of red meats, and a reduction in consumer incomes from the record level achieved during the first half of 1945, will result in a weakened demand. However, the gap between demand and supply has been wide, and any weakening in demand would not materially affect prices received by farmers for chickens in the next few months. Army procurement is running at a high rate.

Egg production for the first 7 months of 1945 was 6 percent below the same period in 1944. The preliminary estimate of the number of chickens raised during 1945 was 808 million head, 8 percent above 1944. Based on past relationships, the number of hens and pullets on farms January 1, 1946 may be slightly greater than on January 1, 1945.

FATS, OILS, AND OILSEEDS

On the basis of August 1 indications, output of edible vegetable oils from oilseeds harvested this year probably will be smaller than the output from last year's crop. Output of cottonseed oil will be materially reduced. Indicated production of cottonseed in 1945, at approximately 4.2 million tons, is 15 percent less than in 1944. Soybean production this year, as indicated on August 1, would be about 188 million bushels, 2 percent less than in 1944. Peanut production in 1945 will set a new record of approximately 2.3 billion pounds, 9 percent above output last year, if August 1 prospects for a relatively high average yield per acre materialize.

Flaxseed production, as indicated on August 1, would be nearly 34 million bushels--1.2 million more than indicated a month earlier and 10.4 million more than were produced last year. This increase in the crop over last year, however, is offset by a reduction in inventories of flaxseed and linseed oil from the level of a year ago. Relief of the present shortage of linseed oil will depend on imports of Argentine flaxseed next year.

Total factory and warehouse stocks of fats and oils on July 1 were 1.7 billion pounds, 1 billion pounds less than the peak reached a year earlier and 0.5 billion pounds less than the 1937-41 average. Production of fats and oils from domestic materials in July-December this year will be smaller than a year earlier, largely as a result of reduced hog slaughter. With increasing shipments of fats and oils to Europe from short world supplies, imports of fats and oils into the United States this half year will be smaller than the previous low of 350 million pounds (including oil content of oilseeds) in July-December 1942. These reductions in available supplies of fats and oils in the United States substantially outweigh the prospective decline in military requirements. Civilian demand for fats and oils, at present prices, probably will continue larger than the civilian supply until mid-1946, at least.

Mid-July average prices to farmers for oilseeds reflected a strong demand and higher support and ceiling prices than a year earlier for peanuts, soybeans, and flaxseed. The average price to farmers for cottonseed in mid-July was \$55 per ton, 4 percent higher than a year earlier. Peanut prices to farmers averaged 8.18 cents per pound, 5 percent more than in mid-July 1944. Soybean prices, at \$2.16 per bushel, were up 13 percent. Prices received by farmers for flaxseed averaged \$2.89 per bushel, 2 percent more than a year earlier.

CORN AND OTHER FEED

Prospects for 1945-46 feed grains supplies improved materially during July. Estimates of 1945 feed grain production, on the basis of August 1 conditions, were about 6 million tons more than was indicated on July 1. Supplies of the four principal feed grains - corn, oats, barley, and sorghum grains - including carry-overs and August 1 indicated production, may total about 130 million tons. This would be only about 2 million tons less than the 1944-45 supply. With the number of grain-consuming animal units on farms next January 1 indicated to be not greatly different than a year earlier, the 1945-46 supply of feed grains probably will be adequate to provide for about the same livestock production as in 1944-45 and for the other indicated domestic requirements. Some reduction in carry-over stocks may occur, however, by the end of next season.

Commercial supplies of corn during the 1945-46 season will depend largely upon maturity of this year's crop. A considerable part of the 1945 acreage was planted later than usual and even if frost occurs at about the usual time, a larger than average volume of corn will be of poor quality. Also, a larger proportion of the crop this year probably will be fodder and silage. Total supplies of byproduct feeds for the 1945-46 feeding year probably will be as large as in 1944-45. Supplies of some high-protein feeds, particularly cottonseed cake and meal, will not be so large, however.

Prospects for hay production this year also improved during July. On the basis of August 1 indications, the 1945-46 supply of hay would be more than 116 million tons. This supply would be only slightly less than the record in 1942-43.

Demand for feed concentrates has continued exceptionally strong during the past few months, despite abundant pasture and forage feed. Market prices of corn and most other feed grains, and almost all byproduct feeds are at ceiling levels. Demand for feed concentrates is expected to continue strong into 1946.

WHEAT

Exceptionally large purchases of wheat and flour for foreign relief and other exports will continue to support wheat prices at high levels. The seasonal decline in wheat prices for the winter crop may now be about complete, but further declines in spring wheat prices may be expected as the movement to market continues heavy. On August 17, the price of hard wheat at Kansas City was slightly above a

month earlier, but the price of hard spring wheat at Minneapolis was slightly lower. Prices of red winter at St. Louis and of white wheat in the Pacific Northwest were about the same.

The wheat supply for the 1945-46 year is now indicated to be about 1,440 million bushels. This is considerably above the 982-million 10-year (1932-41) prewar average and is exceeded only by supplies in 1942 and 1943. Heavy feeding and exports in recent months reduced the carry-over of old wheat on July 1 to about 281 million bushels. The new crop is now estimated at 1,146 million bushels. Imports are likely to be small, perhaps only about 15 million bushels. Disappearance of wheat for civilian and military food is expected to be about 560 million bushels, for seed 81 million, and for exports about 225 million. (Exports in 1944-45 were about 140 million bushels.) In 1944-45 about 85 million bushels of wheat were used for alcohol and 116 for feed on farms where grown. If the total of these two items are about the same in 1945-46, and if the carry-over is not reduced below 250 million bushels, it would leave about 125 million bushels for purchase as feed, or for increases in other items.

Prospects for the 1945 world wheat production, excluding that of the U.S.S.R. and China, are for a crop about 5 percent below production in 1944. Probable decreases in Canada, Europe and North Africa more than offset likely increases in the United States, Southern hemisphere countries and in parts of Asia. Present prospects in Canada are for a crop of between 300 and 325 million bushels, which would be below the 1934-43 average of 353 million bushels and considerably below the 436 million bushels produced in 1944. European production is estimated to be below last year, and the smallest wheat crop in the war period. In North Africa the crop was very poor. Early tentative indications for Argentina and Australia are for crops considerably above the reduced outturns in 1944. The crops in prospect, together with old-crop stocks in Canada, the United States and Argentina, are large enough to meet the large prospective world export requirements in 1945-46. Australia is not an exporter in 1945. Its last crop was so small that with the old-crop stocks, supplies are barely enough to meet domestic requirements.

FRUIT

Prices for most 1945 crop deciduous fruits are likely to continue at or near ceiling levels this season, but prices for 1944-45 crop citrus fruits, which declined substantially during July and early August, probably will remain well below ceilings until October. The market movement of fresh fruits this summer, especially where long hauls are involved, is somewhat restricted because of shortages of refrigerator cars and ice.

Prices for peaches on the New York City and Chicago wholesale markets receded slightly from ceilings in July under the impact of large market receipts, but returned to near-ceiling levels in early August as shipments declined. Prices for the better quality peaches are expected to continue at or near ceilings until the close of the season in October. Because of reduced yields, ceiling prices in 8 Atlantic seaboard States and in West Virginia were increased 61 cents a bushel, effective for the period August 1-20, 1945.

The market for apples of the short 1945 crop continued strong during July and early August, with prices at or near ceilings. This strong market position is expected to hold throughout this season. Basic ceiling prices

for the new crop have been adjusted upward since May 29 to compensate growers for reduced yields. For the period July 21-August 19, the shipping point ceiling price per bushel in all States east of Ohio, Kentucky, Tennessee, and Alabama is \$3.70, an increase of 55 cents; for the rest of the States the price is \$3.45, an increase of 30 cents.

Season opening prices for new 1945 crop pears on the New York City and Chicago wholesale markets were at or near ceilings and close to the levels of a year earlier. Prices for fresh pears may decline slightly in late summer as harvesting reaches a peak. Grower prices for California pears for canning and freezing have been set at an average of \$73 per ton, \$7 less than for the 1944 crop. Prices for the entire 1945 crop of pears probably will average lower than for the 1944 crop.

Prices for California table grapes at country shipping points and on the New York City and Chicago auction markets at mid-August were at or near ceilings. Prices are expected to continue at or near ceiling levels at least until shipments reach a peak in late September or early October. Grower support prices for natural condition or unprocessed raisins produced in 1945 are generally from \$5 to \$10 a ton higher than in 1944.

Terminal market wholesale prices for all principal citrus fruits declined during late July and early August. These declines were mainly the consequence of large market supplies of such fruits, poor condition of some shipments upon arrival, lack of continuous hot weather, and competition from other fruits and melons. Because of the unusually large quantities of small oranges remaining to be marketed from the 1944-45 crop, prices are expected to average somewhat below ceiling for the rest of the season. Prices for lemons, of which exceptionally large quantities also are on hand for this late in the season, are expected to continue well below ceilings.

The aggregate production of 8 major deciduous fruits--apples, pears, peaches, apricots, cherries, plums, prunes, and grapes--is indicated, as of August 1, to be about one-eighth smaller than in 1944, and slightly below average. Production this year compared with last is considerably larger for prunes, slightly larger for pears, peaches, and grapes, but substantially smaller for apples, apricots, cherries, and plums.

TRUCK CROPS

Truck Crops for Fresh Market

Prices for most truck crops for fresh market are expected to continue to decline seasonally in September and October at a faster rate than during the past 2 months, but generally may remain above last year's levels. Supplies of fresh vegetables commercially produced this summer are expected to exceed those of last summer for beets, cabbage, cantaloups, carrots, cauliflower, sweet corn, cucumbers, Honey Dew melons, green peppers, watermelons, green lima beans and spinach; all of these except the latter two also are indicated to be above average. Of 20 important truck crops, the crops of onions and celery only, are indicated to be smaller than last summer by 5 percent or more.

Because of the sustained consumer demand, prices declined somewhat less than seasonally during the past 4 weeks. The average wholesale price of 14 important fresh market truck crops for the week ended August 11, 1945, was about 6 percent lower than during the second week of July this year, although more than one-half higher than in the corresponding week a year earlier.

Carlot shipments of truck crops by rail and boat reached a peak this year in the latter part of June, about a month earlier than in 1944, and have since declined to a rate per week lower than last year.

Truck Crops for Processing

Prospects this year are for a record-large crop of green peas for processing, near-record large crops of snap beans and sweet corn--both significantly larger than last year--and nearly as large a production as last year of tomatoes for processing. Last year these 4 crops comprised almost 90 percent of the total commercial production of the 11 processing vegetables reported; their aggregate production this year is indicated to be about 4 percent larger than last year.

Prices to growers for these 4 major processing crops are being supported at the same levels as last year. With prices for most processing crops long since established by processors' contracts with farmers, it seems certain that prices farmers will receive for these crops in general will average as high this season as last. In contrast, however, prices may average lower than last season on cabbage for kraut, for which exceptionally high yields are being reported by some packers; production may exceed all requirements and prices may be lower.

POTATOES AND SWEETPOTATOES

Although 1945 crop potatoes generally sold at ceiling prices from the beginning of this season through most of July, prices recently have weakened at a number of country shipping points and Government purchases for price-support have been undertaken on a considerable-scale. Further weakness in price, particularly in terminal markets, may develop in September when late-crop potatoes move in heavier volume. As of August 1, the 1945 total crop of potatoes was indicated at 420 million bushels, a quantity which has been exceeded in only 2 other years (1928 and 1943). Of the nearly 41 million bushel increase indicated over last year's production, more than 6 million bushels were in the early potato States, for which marketing is complete. Another 10 million of the increase is in the intermediate States, for which marketing is well ahead of last year. The total crop indicated in the 30 late States is more than 24 million bushels larger than last year. It is these late potatoes that constitute the principal market supplies in the winter and spring.

Since hostilities have ended in the Pacific area, it is likely that noncivilian requirements for fresh and dehydrated potatoes will be reduced from present estimates. The supply of potatoes available for civilian distribution next winter and spring probably will be entirely adequate, at prices appreciably lower than were paid for the 1944 crop.

Although prospects for total production of sweetpotatoes improved slightly in the last month, it appears that the crop will be about 6 percent smaller than last year and only a trifle larger than average. Prices paid for sweetpotatoes probably will continue to be at or near ceiling levels throughout the season. Shipping point ceiling prices are scheduled to decline by a little more than 1 cent per pound September 1 and again September 16. Ceilings start upward November 1.

DRY EDIBLE BEANS AND PEAS

The 1945 crops of dry edible beans and peas are expected to sell at support price levels, the same as was true of the 1944 crops. Support prices for most varieties of 1945 crop beans are slightly higher than for the 1944 crop; for peas they are about 25 percent lower than last year. Production of beans is indicated to be about 9 percent smaller this year than the near-average production last year. Prospective production of peas is about 38 percent smaller than last year, but still 39 percent above average.

COTTON

The 1945 crop of cotton is currently estimated at 10,134,000 bales, 500 pounds gross weight. On the basis of average bale weights, this is equivalent to 9,872,000 running bales. Of this quantity, 133,000 bales, having been ginned before August 1, were included in the domestic carry-over of 11,036,000 bales of American cotton as of August 1. If the city crop this season and the quantity, of 1946 crop cotton ginned before August 1, 1946 are equal to the recent 5-year average, a total domestic supply of American cotton this season will be about 20.9 million bales. This will be somewhat smaller than in 1944-45.

Consumption in the United States last season totaled 9.6 million bales. In July, the final month of the season, consumption was only 673,000 bales, the lowest for any month since September 1940, at which time the defense production program was just getting well under way. Consumption per working day in July averaged 32,052 bales. This was also the lowest since September 1940. It was 31 percent below the peak wartime level reached in April 1942 and 14 percent below the 1944-45 average. The sharp drop in consumption in July is largely attributable to employees' vacations.

The price of Middling 15/16 inch cotton in the 10 markets has ranged between 22.27 cents and 22.67 cents during the month ended August 18 or slightly lower than in the previous 2 months. The average was, nevertheless, higher than the 10-market average of 21.86 cents for the entire 1944-45 season.

WOOL

United States shorn wool production in 1945 is estimated at 323 million pounds. This is 7 percent smaller than the 1944 production of 347 million pounds, and is 18 percent smaller than the 1942 record production of 392 million pounds. It is the smallest shorn wool production since 1928. More profitable returns from other farm products than from lambs and wool and the difficult labor situation are largely responsible for the decline in wool production since 1942. The reduction this year compared with last resulted

from an 8 percent decline in the number of sheep shorn. The average weight per fleece this year is 7.93 pounds, compared with 7.83 pounds in 1944, and a 10 year (1934-43) average of 7.99 pounds. The increase in fleece weight was larger in the Western Sheep States than in the "native" or "fleece" wool States. These estimates do not include the production of pulled wool. Slaughter of sheep and lambs in 1945 may be somewhat less than the 1944 slaughter. Consequently, production of pulled wool may not equal last year's record production of 71 million pounds.

The average price received by farmers for wool in 1945 probably will be slightly lower than the 1944 average of 42.4 cents a pound. In June and July, months of heavy marketing, prices to growers this year averaged about a cent a pound lower than last year. The lower price per pound will be partly offset by heavier fleece weights in growers' returns per fleece. Reports of the CCC, which is again buying virtually all of the domestic production of wool, show that to the end of July about 150 million pounds of shorn wool (grease basis) had been appraised for purchase. To the same date last year about 160 million pounds had been appraised.

World import demand for wool in the 1945-46 season which opened July 1 is expected to be much larger than in the last two or three seasons, as a result of reopening of import markets in continental Europe. In pre-war years, these markets took almost half of world exports of wool, which came chiefly from the Southern Hemisphere. The resumption of shipments to continental Europe, together with a continuing large import demand in prospect from the United States and the United Kingdom, seems likely to check the accumulation of wool stocks in Southern Hemisphere countries. During the war, stocks in the 5 principal Southern Hemisphere exporting countries have increased at the rate of about 500 million pounds a year. Reduced production in prospect in Southern Hemisphere countries will also tend to limit further accumulation of surplus stocks.

TOBACCO

Demand for flue-cured is strong again this season and prices of most grades are above those of a year ago. Markets are now open in Georgia and Florida (type 14) and in the Border Belt of North Carolina and South Carolina (type 13). Through August 10, producers' sales of type 14 totaled about 106 million pounds, at an average of 40 cents per pound, compared with an average of 36.5 cents last season. Through August 9, producers' sales of type 13 averaged 44.6 cents, compared with 43.1 cents last season. Markets in Eastern North Carolina (type 12) are scheduled to open August 21, the Middle Belt markets September 11, and the Old Belt markets September 18. Inasmuch as the ceiling is the same, prices for types 11 and 12 may be about the same as those for type 13.

Stocks of all major types of tobacco, except burley and dark air-cured are about the same as or slightly lower than a year ago. Burley stocks are substantially larger than last year, despite the record level of disappearance. The large carry-over and the record 1945 crop will result in a further increase

in the supply of burley. In relation to disappearance, stocks of all other types are below normal. The 1945 crop of flue-cured, now placed at 1,135 million pounds, will result in a slight increase in the 1945-46 supply. The supply of dark air-cured will be larger next season, but the supply of cigar leaf will be considerably below 1944-45.

The over-all production of tobacco products in the United States is continuing at or near the highest level in the history of the industry. Government requirements for overseas shipment have declined since the end of the war, and supplies available for distribution through regular retail channels have become substantially larger, but appear to be inadequate to meet in full the civilian demands. The cigarette industry is still facing difficulties in expanding production, and shortages are continuing in the lower-priced classes of cigars. During June, tax-paid withdrawals of cigars (all classes combined) were 6.6 percent above June 1944, and chewing tobacco, smoking tobacco, and snuff showed substantial gains.

ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Unit of base period	1944		1945			
		Year	July	April	May	June	July
Industrial Production <u>1/</u>	1935-39						
Total	=100	235	230	230	225	220	212
All manufactures	"	252	246	247	240	233	224
Durable goods	"	353	347	336	323	308	291
Nondurable goods	"	171	165	174	173	173	169
Minerals	"	140	139	140	138	144	144
Construction activity <u>1/</u>	1935-39						
Contracts, total	=100	71	66	122	101	87	---
Contracts, residential	"	39	34	44	49	54	---
Wholesale prices <u>2/</u>	1935-39						
All commodities	=100	129	129	131	132	132	131
All commodities except farm and food	"	121	121	122	122	123	123
Farm products	"	162	163	170	171	172	170
Food	"	133	134	134	135	136	135
Prices received and paid by farmers <u>3/</u>	1910-14						
Prices received, all prod.	=100	195	192	203	200	206	206
Prices paid, int. and taxes	"	170	170	173	173	173	173
Fatity ratio	"	115	113	117	116	119	119
Cost of living <u>5/</u>	1935-39						
Total	=100	126	126	127	128	129	---
Food	"	136	137	137	139	141	---
Non food	"	120	120	122	122	123	---
Income	1935-39						
Nonagricultural payments <u>4/</u>	=100	231	232	238	238	240	---
Cash farm <u>3/</u>	"	265	252	296	293	287	286
Income of Industrial Workers <u>3/</u> ..	"	325	320	310	299	297	---
Factory payrolls <u>5/</u>	"	356	348	338	322	318	---
Weekly earnings of factory workers <u>5/</u>	Dollars						
All manufacturing	"	46.08	45.43	47.12	46.03	---	---
Durable goods	"	52.07	51.07	52.92	51.58	---	---
Nondurable goods	"	37.12	37.05	38.80	38.23	---	---
Employment							
Total civilian <u>6/</u>	Millions	51.8	54.0	51.2	51.3	52.1	52.7
Employees in nonagri. est. <u>5/</u> ..	Thous.	36,682	38,731	37,797	37,632	37,495	---
Farm <u>3/</u>	"	10,037	11,355	8,982	10,017	10,994	11,100
Government finance (Federal) <u>7/</u>	Mil. dol.						
Receipts, net	"	3,702	2,163	2,929	3,085	5,914	2,695
Expenditures	"	8,097	8,110	7,968	9,275	9,641	8,557

Sources: 1/ Federal Reserve Board; converted to a 1935-39 base. 2/ U. S. Dept. of Labor, B. L. S. 3/ U. S. Dept. of Agriculture, B. A. E. To convert prices received and prices paid, interest and taxes to the 1935-39 base, multiply by .93110 and .78125 respectively. 4/ U. S. Dept. of Commerce. 5/ U. S. Dept. of Labor, B. L. S. 6/ U. S. Dept. of Commerce, Bureau of the Census. 7/ U. S. Dept. of Treasury.

Data for 1944 are on average monthly basis.

